interconnect on the same terms and conditions, unless demonstrated cost differences justify otherwise.

TCG Ex. 1.00 at 2-4.

TCG opposes Illinois Bell's reciprocal compensation proposal and advocates a flat-rated DS1 port arrangement through which local and non-local traffic can be terminated. The port would allow carriers to exchange traffic calculated on a pro-rated basis dependent the nature of the traffic. Local traffic would be measured through a PLU report. TCG Ex. 2.01 at 5-10. TCG believes that a reasonable benchmark would be to set the flat rate for the port with reference to LRSIC costs at an overall rate which provides a wholesale "margin" relative to retail rates. TCG Ex. 2.02 at 17. Local traffic would be billed based on this flat rate while non-local (toll) traffic terminated through the port would be billed based upon existing tariffed access charges. TCG Ex. 2.01 at 8-9.

TCG envisions flat-rated DS1 ports located at either the tandem level or end office level of the network. The price of the port should be cost-based and take into consideration the functionality of the port. Accordingly, at the tandem level, traffic terminated into the port would require tandem switching, local transport between the tandem and the end office where the traffic is designated, and local switching at the end office. At the end office level, the port would simply require a local switching functionality. Accordingly, TCG recommends that the prices for the ports should differ with the tandem-level ports priced reasonably higher than the end office port. TCG Ex. 2.01 at 6-7.

TCG contends that its flat-rated port proposal meets the standards that should apply to an effective reciprocal compensation mechanism. TCG states that its proposal: (1) is economically viable because it is set in relation to the retail rate for local calling, (2) is consistent with imputation because setting the port rate in relation to the retail rates will permit Illinois Bell's local rates to pass an imputation test, (3) is administratively simple to implement, (4) is consistent with unbundling of the local exchange network by allowing new entrants to interconnect at both tandems and end offices, (5) encourages infrastructure development by reflecting cost differences with a lower-priced port at the end office, and (6) is nondiscriminatory in that all certificated LEC s may utilize the compensation mechanism. TCG Ex. 2.00 at 27.

AT&T

AT&T argues that compensation arrangements between carriers should be provided pursuant to tariffs with cost-based rates, and that there should be uniform access rates for all classes of customers -- LECs, new entrants, IXCs, etc. To allow for the maximum feasible development of local exchange competition, carrier compensation arrangements in the future should be non-discriminatory and based on tariffed access rates that reflect underlying costs. Regardless of whether a call is terminated locally, within the MSA, or between MSAs, all carriers should compensate the facility provider at tariffed rates under non-discriminatory tariffed terms and conditions for all network functions used to complete the call. Also, any system of compensation preferences based on the status of the carrier (e.g., LEC, IXC, CAP) inevitably and improperly skews the competitive balance in favor of certain providers.

AT&T contends that the testimony was clear and consistent that the LEC switch cannot distinguish a MOU by LEC, IXC, or CAP customer from "another" minute. AT&T Ex. 5.0 at 13. Consequently, compensation arrangements should not make a distinction among them. To reduce the potential for discrimination in this regard any existing contractual compensation arrangements must be replaced with a tariffed compensation plan that applies to all carriers and all call jurisdictions. AT&T Ex. 5.1 at 11. Any reciprocal agreements between carriers that exempt them from paying some or all of each other's terminating charges should be examined to assess whether they, directly or indirectly, provide an improper cost advantage to certain carriers over others.

AT&T contends that non-discriminatory compensation arrangements for all carriers can contribute to the potential for competition by ensuring that compensation itself is not an arbitrary and uneconomic competitive advantage for any provider. Furthermore, non-discriminatory compensation arrangements would eliminate the need to track type of carrier or call jurisdiction (e.g., local, intraexchange, interexchange) for purposes of applying access charges. If compensation is uniformly applied, there is no need to record these distinctions.

Additionally, arrangements that involve non-billed costs, AT&T suggests, would need to be carefully examined to determine whether they provide an improper cost advantage to one carrier at the expense of its potential competitors. AT&T Ex. 5.0 at 13-14. Accordingly, it supports the principle that reciprocal compensation arrangements between carriers should be based on access rates. AT&T Ex. 5.1 at 11. It makes clear, however, that it believes that existing switched access rates are too high and would impede local exchange competition. AT&T Ex. 5.2 at 21-22.

AT&T contends that all of these arrangements, whenever entered, must be the same, or competitive imbalances will result. AT&T Ex. 5.1 at 12. It also questions MCI's proposed flat-rate proposal, claiming that it "postpones problems" with the existing access rate structure by creating another special rate for interconnection based on the category of the purchaser. AT&T Ex. 5.2 at 21. AT&T states that the requirement for the incumbent to impute the access rates to its own local services would require the incumbent to adjust access in a manner that would result in competition being economically viable for local services.

Within the tariffs filed by Illinois Bell in its Customers First Plan, AT&T maintains that Illinois Bell has introduced discriminatory terms regarding the assessment of access charges in connection with AEOIS. AT&T Ex. 5.1 at 17. Specifically, although for switched access service, the RIC is assessed for each local switching MOU, Illinois Bell plans on assessing the F C to carriers which interconnect at the tandem switch, thus guaranteeing a revenue recovery at the expense of competitive entry. AT&T asserts that this is an anti-competitive burden on new entrants and should be rejected. Id. at 18.

Illinois Bell Response

Illinois Bell responds to Staff's proposal by arguing that it ignores the fact that the Commission does not have the authority under Section 13-505.1 of the Act to require the Company to perform and pass imputation tests for local calling. Rate design premised on such tests is therefore outside the Commission's authority. It further argues that Staff's proposal relies upon the totally faulty premise that a discount for terminating local traffic is necessary to encourage competitive entry by new LECs. It argues that new LECs intend to provide a full range of services to the local exchange market including residence and business usage, custom calling and switched access. Illinois Bell maintains that Mr. Panfil's analysis was a business entry analysis based on a full range of services. The analysis shows new LECs could enter the local marketplace profitably when providing Bands A and B calling and other services.

Illinois Bell further argues that its carrier access rate levels currently amount to approximately $70 million per year and points out that the unjustified discount proposed by Staff could cause tens of millions of dollars in carriers access reductions. It argues that, while rate increases would be required to offset such reductions, no party has explored what those rate increases would be. Finally, it argues that Staff's proposal also makes for poor rate design because it undoubtedly would encourage arbitrage by other carriers that are required to pay full, switched access rates.

In response to the proposals of MCI, TCG, and MFS, Illinois Bell argues that these proposals rest on short-run, service cost assumptions that are inconsistent with established Commission LRSIC policies. It further argues that the net effect of the proposed approaches would be to establish a subsidy from Illinois Bell to its competitors because these carriers would not provide it with adequate compensation. Further, it argues that some of these proposals would likely increase the costs incurred by the company. For example, MFS "traffic exchange district" proposal likely would require a substantial and costly redesign of Illinois Bell's network.

Illinois Bell also contends that the various flat rate options proposed by the parties are inconsistent with the Commission's rate design principles under which nontraffic sensitive costs should be recovered on a fixed basis and traffic sensitive costs should be recovered on a usage sensitive basis.

Illinois Bell further argues that MCI's compensation proposal would permit new LECs to recover costs associated with the NALs they provide to end users through carrier compensation. Such a proposal conflicts with consistent Commission policy over the last decade that access line costs should be recovered directly from end users, not from other carriers.

Illinois Bell maintains that the new LECs' proposals likely would provide windfalls to the new LECs because there is no question that these rate design proposals would establish substantially lower, economically unjustified prices for the termination of calls on it's network for competitive local exchange providers than for other providers. In addition, under the MFS and MCI "bill and keep" proposals, those parties admit that there will be a disproportionate amount of outbound traffic from the new LECs to Illinois Bell, thereby providing the new LECs with an unjustified cost advantage compared to other carriers. Such inconsistent pricing of virtually identical service capabilities is not sustainable and would lead to endless attempts at arbitrage.

With respect to the issue of number portability, Illinois Bell argues there is no logical or economic nexus between the compensation arrangements proposed by the new LECs and number portability. It points out that it does not have exclusive control over the development of number portability solutions; and that any attempt to create financial "offsets" or subsidies for the new LECs through intercarrier compensation mechanisms simply would penalize Illinois Bell for a problem not of its making while establishing misleading price signals for carriers.

Finally, in response to TCG's argument that averaged or flat-rated compensation mechanisms would give TCG flexibility to offer either measured or flat rate service to customers, Illinois Bell argues that nothing prevents TCG from providing flat rate service to customers, regardless of the rate structure applicable to intercarrier compensation mechanisms.

Analysis and Conclusions

Having established the initial parameters for the physical arrangements for interconnection between incumbent LECs and new LECs, the Commission must scrutinize carefully the incumbent LECs' proposed compensation rates to ensure that unreasonably high rates do not create a barrier to entry as insurmountable as if interconnection were refused altogether.

The Commission concludes that Illinois Bell has failed to meet its burden of proof to establish that its proposed tariffed rates for reciprocal compensation are just and reasonable. Its proposal effectively would preclude new entrants from providing essential elements of exchange service in a financially viable manner.

Illinois Bell relies primarily on its "business entry" analysis to support the proposition that, despite paying its high-contribution switched access charges for termination of traffic on Illinois Bell's network, new LECs can enter the local exchange market profitably by "offering a broad array of services". It asserts that a new LEC simply can combine the revenues from various sources to offset its costs, including the access charges. See IBT Ex. 7.21. Intuitively, it is questionable whether it is prudent to permit an incumbent LEC to demonstrate the reasonableness of its rates with reference to its own conceptualization of the services a competing new entrant would offer. This concern is confirmed upon a close examination of the business entry analysis.

Illinois Bell's analysis is fundamentally flawed because it includes numerous unsupported assumptions. For example, the study assumes that a new entrant's customers will use the same volume and mix of services as Illinois Bell's customers. It assumes that a new entrant will have the same cost structures as Illinois Bell. It also assumes that a new entrant would collect an end user common line charge ("EUCL"), despite the fact that under existing federal regulations, new entrants do not collect a EUCL as part of local service charges.

Perhaps the most egregious error in the analysis is that it assumes that the ratio of originating to terminating usage will be the same for Illinois Bell and the new LECs. While it might be reasonable to assume that a carrier's customers will make just as many calls as they receive, Illinois Bell's witness acknowledged that a residual effect of the assumption in the spreadsheet model he used was a 50/50 traffic split between the new LEC and Illinois Bell. Tr. at 1582. In other words, it assumes that a new entrant would terminate an equal proportion of its total traffic on

Illinois Bell's network as Illinois Bell would terminate on the new entrant's network. Undisputed testimony demonstrates clearly that at this early stage of competitive entry, a new entrant will be required to terminate virtually all local calls made by its customers on Illinois Bell's network, while Illinois Bell will terminate only a small percentage of calls made by its customers on the new entrant's network.

The record makes clear that the model for reciprocal compensation for the exchange of traffic between incumbent and new LECs cannot be based on the current levels of Illinois Bell's switched access charges. Staff's analysis demonstrates that Illinois Bell's proposal to charge new LECs tariffed switched access rates to complete local traffic on its network would result in a situation in which wholesale compensation rates would be above retail market rates for a wide variety of calls. In other words, carriers would pay more in terminating compensation to Illinois Bell than it currently receives in revenues from its local usage customers. In addition to Staff's imputation-type analysis, several witnesses independently demonstrated that in most cases Illinois Bell would charge a new LEC more in access charges than it would charge its own local residential or business customer for the entire usage service, making it impossible for a new LEC to establish a competitive price using Illinois Bell's current access rates as a compensation mechanism. Staff Ex. 2.0 at 47-48, Staff Ex. 2.01 at 34-41; TCG Ex. 1.0 at 9-15.

One of two outcomes necessarily would result from the adoption of this proposal. Illinois Bell's rates, including its proposed access-charge-based compensation rates, could remain unchanged, in which case potential competitors would be subjected to an anticompetitive price squeeze in which it literally would be impossible for them to establish a competitive price for local calling. The other possible outcome, as Illinois Bell suggests, would be to raise local calling rates further above cost, which not only would defeat the purpose of competition but would be contrary to our universal service goals. Therefore, we conclude that Illinois Bell's current switched access rates do not form an adequate basis for reciprocal compensation rates among competing LECs.

It is necessary to establish just and reasonable reciprocal compensation rates to substitute for those proposed by Illinois Bell. We find many of the goals and principles put forward by the parties to be consistent with our view of appropriate arrangements for reciprocal compensation. We strongly agree with TCG, for example, that the compensation arrangements we adopt must allow for economically viable competition for local calling. At the same time, we are mindful of Illinois Bell's concern that any adopted compensation scheme must allow the incumbent LECs to recover the economic costs incurred to terminate traffic originating on another carrier's network.

Based on an overall consideration of the various proposals, the Commission concludes that Staff's reciprocal compensation proposal best meets the criteria we have identified and represents the most reasonable basis, on this record, for establishing compensation rates between incumbent LECs and new LECs. It bases compensation rates upon the actual LRSIC costs which Illinois Bell would incur in providing termination services; it provides a reasonable level of contribution to Illinois Bell's overhead costs; and it allows Illinois Bell to pass an informational imputation test for local traffic.

The Commission recognizes that Staff's proposal is not perfect. There is a legitimate concern that the two- ier approach (i.e., one compensation structure for the termination of "local" traffic and the existing switched access charges for the termination of all other traffic) could encourage arbitrage (even though Staff's proposal incorporates protection against it through the percentage of local usage declaration) and ultimately a compression of the two rates toward the lower rate. However, the Commission currently is investigating a restructure of acce s charges, and we anticipate that the adjustments should moderate the impact of the rate variance. We also will consider adjustments to the rates we are adopting here as the circumstances warrant. Ultimately, the same rates should apply for termination regardless of the type of originating carrier, and we formally establish that goal here.

Contrary to Illinois Bell's assertions, it is entirely appropriate to gauge the reasonableness of Illinois Bell's reciprocal compensation proposal, and to establish substitute rates, with reference to an imputation-style analysis for local traffic such as Staff used, rather than the broader test Illinois Bell advocates. The issue is not whether a new LEC ultimately can scrape together revenues from enough sources to be able to afford Illinois Bell's switched access charges. The crucial issue is the effect of a given reciprocal compensation proposal on competition. Staff's analysis identifies the essential locus of competition between the incumbent LEC and the new LEC, and it is there that competition must be viable. Illinois Bell surely could not argue that appreciable numbers of customers will switch exchange carriers because the new LEC offers the best directory assistance or custom calling in the area. Yet, adoption of Illinois Bell's proposal and rationale would force new LECs to adopt either a premium pricing strategy or use local calling as a "loss-leader". That is not just or reasonable.

The Commission strongly disagrees with Illinois Bell's assertion that Section 5/13-505.1 of the Act constitutes a mandate and a limitation on the Commission's use of imputation-style analyses when evaluating and establishing just and reasonable rates terms and conditions of tariffs pursuant to Article IX of the Act. Section 5/13-505.1 is a mandate because it describes the test which a carrier "shall satisfy." There is nothing in the language of that Section which suggests that the Commission's Article IX authority is in any way limited. See Sections 5/13-101 and 5/13-504. Parties appearing before the Commission provide a variety of studies. In a broad sense, imputation studies are simply a tool of economic price analysis. Prior to the enactment of Section 5/13-505.1 various parties have presented studies which purport to be imputation analyses. [5] Illinois Bell has not offered any credible support in case law or in the legislative history of the Section, for the proposition that by enacting Section 5/13-505.1 the General Assembly intended to limit the Commission's authority to consider this type of analysis. However, the Commission agrees with Illinois Bell to the extent that it will not automatically grant a request that imputation testing be performed on an informational basis where such testing is outside the scope of Section 13-505.1 and the Commission's rules regarding imputation. The Commission will weigh such requests in light of several factors, including, but not limited to consideration of the potential impact on competition, the need to prevent discrimination, cross-subsidization and predatory pricing, the burden placed on the carrier performing such an analysis, and the overall reasonableness of the request.

The Commission does not adopt the proposals of either MCI or MFS because we conclude that they are inadequate to compensate Illinois Bell. Under the LRSIC methodology established by this Commission, termination of additional calls on the Illinois Bell's network clearly will cause Illinois Bell to incur additional costs, a fact which these proposals largely ignore. The use of "bill and keep" (proposed by MCI and MFS) would not provide adequate compensation to Illinois Bell given the fact that new LECs will terminate far more traffic on its network than vice versa. Accordingly, the proposals of these parties effectively could

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[5] The Commission takes administrative notice of the fact that in Docket 88-0412, Independent Coin Payphone Association v. Illinois Bell, Complainant and Respondent both presented studies comparing revenues, costs and rates for particular segments of the payphone industry. This was prior to enactment of 5/13-505.1. Subsequent to that enactment, both parties have maintained that their studies were in fact, imputation analyses consistent with the requirements of 5/13-505.1.

result in a non-economic windfall flowing to them in proportion to their use of Illinois Bell's network.

The Commission further concludes that the proposal of MCI and MFS to link levels of compensation to number portability is not appropriate from an economic or policy perspective. Establishing an artificially low compensation mechanism until full number portability is achieved sends pricing signals which may encourage otherwise uneconomic entry. Furthermore, it improperly penalizes Illinois Bell for a situation that represents an industry-wide problem that is not of its own making.

The Commission will not adopt TCG's flat rated port proposal because we are not persuaded that its service cost assumptions are consistent with established Commission policies. For example, the proposal assumes that port facility costs are non-traffic sensitive. As Illinois Bell noted, although the trunk card installed at a tandem switch to create the "port" is non-traffic sensitive, the network costs behind the trunk card (e.g., switching and transport) are usage sensitive. However, if one takes the short run marginal cost view advocated by TCG, they actually become zero. A zero cost also would apply logically to all other services that rely on switching and transport. A zero cost floor for the bulk of the company's facilities is obviously inconsistent with past Commission policy. The Commission will observe that it did not in general, find the theoretical relationships between long and short run costs, and traffic sensitive and non-traffic sensitive costs as developed in TCG's position to withstand cross-examination persuasively.

In its Brief on Exceptions, Illinois Bell indicated that it is largely in agreement with the Proposed Order's resolution of the reciprocal compensation issue. However, Illinois Bell proposed several modifications. It claims that Staff's proposal needlessly departs from its existing carrier access rate structure by ignoring both Illinois Bell's deaveraging of local switching rates, and the fact that its tandem switched termination rate structure includes elements for transport which appropriately recover costs on a mileage sensitive basis. Illinois Bell proposes that it be allowed to mirror its existing rate structure while also demonstrating that its rates pass an informational imputation test based on current usage rates for Bands A and B. Illinois Bell also proposed an audit process for traffic reports submitted by new LECs for Bands A and B traffic.

The Commission concludes that Illinois Bell's proposals cannot be adopted. The proposals were raised for the first time in Illinois Bell's Brief on Exceptions. The parties have had no meaningful opportunity to examine and respond to Illinois Bell's modified position. There is no evidentiary record which would permit the Commission to evaluate the proposals.

Accordingly, we will direct Illinois Bell to refile its tariffs incorporating Staff's compensation proposal in total (as it is explained in ICC Staff Ex. 2.01 at 38-43), including new rates for reciprocal compensation which are equal to the rates referenced under Staff's position on this subject earlier in this Order.

Additional Issue

Illinois Bell's proposal regarding compensation also includes the following tariff language:

> The AEC and the Company shall compensate each other for all applicable charges, in addition to access charges, that would otherwise have been billed to the calling party and that are attributable to calls or services terminating on the other parties network absent any other agreement between the parties relating to such charges, e.g. directory assistance or audiotext (976). (Illinois Bell proposed tariff, ILL. C.C. No. 15, Original Page 87).

Staff suggested in its testimony that this language was not only in conflict with the way in which these types of services were currently billed between customers and carriers but that Illinois Bell's proposed language was inappropriate. It improperly shifts collection responsibility for Ameritech's own information services to the integrating carrier in a manner contrary to its own common practice, and was unnecessary. Staff Ex. 2.00 at 43.

In rebuttal testimony, Illinois Bell contended that it should be permitted to modify paragraph 19.3.4 to establish that an end user of the new LEC (rather than the new LEC itself) has liability for the payment of 976 information provider charges assuming that proper billing arrangements are in place. Specifically, the new LEC that allows its end user customers to make 976 calls would be required to make billing services available so that the information provider can bill the new LEC's end user customer that originates the call. IBT Ex. 7.20 at 22.

The Commission agrees that Illinois Bell's position as expressed in its rebuttal testimony is reasonable and should be adopted.

VII. NUMBER PORTABILITY

Positions of Parties

MCI

MCI's witness Robert W. Traylor, an Executive Staff Member in the Technical Standards Department and current co-chair of the Industry Numbering Committee ("INC") Number Portability Workshop, addressed the technical issues associated with local number portability. He describes the INC's Number Portability Workshop process and progress in assessing various alternative architectures for providing number portability, and concludes that the INC is unlikely to work effectively to resolve technical issues - such as local number portability - that have strategic or competitive implications. MCI Ex. 3.0 at 11-15. MCI describes the architecture for a "true" database portability solution, where all local exchange calls would be routed directly to the assigned carrier, without first routing through the incumbent LEC's network. *Id.* at 15-17. It states that the underlying technical capabilities required to provide true number portability exist today, and that it should take no more than 12 months to implement a trial of such a solution once a regulatory mandate is given. MCI further argues that deployment of a database solution on a single state basis, *e.g.*, Illinois, rather than on a national basis, would not restrict and may speed up the eventual deployment of a national solution. *Id.* at 17-18.

MCI describes in detail the technical performance of each of the interim portability solutions offered by Illinois Bell, and finds all of them have significant deficiencies which would degrade local exchange service for new LEC customers. According to MCI, most of the deficiencies result because all calls to a ported number must first be routed to the Illinois Bell end office to which the ported number was originally assigned, including calls that do not even involve Illinois Bell customers. MCI Ex. 3.0 at 19-41.

MCI provides evidence as to the importance of local number portability to the development of effective local exchange competition. It cites two consumer research studies which show that a significant percentage of customers who otherwise would be likely to change local service providers no longer wonder consider such a change if it required a change in telephone number. MCI Ex. 2.0 at 49; MCI Ex. 2.2 at 23-24.

MCI makes three rec mmendations that address the need to mitigate the impact of the disadvantages of Illinois Bell's interim portability proposals, and to ensure the rapid development of true portability in Illinois. First, MCI recommends that the threshold at which billing of the compensation rate for terminating traffic would occur be increased from 105% to 150%. According to MCI, this would help alleviate the likely skewing of terminating traffic balance for new entrants, and would provide an incentive for Illinois Bell to cooperate in the development and implementation of a true number portability solution. *Id.* at 51.

Second, MCI recommends that the significant costs associated with the processing of calls to ported numbers be recovered in a competitively neutral way, based on a solution proposed by Rochester Telephone Company ("RTC"). MCI describes the RTC plan as premised on a recognition that there is an economic value to all customers in having number portability available. The RTC plan proposes to recover the additional switching and transport costs associated with the provision of number portability via DID or call forwarding through a surcharge on telephone numbers, payable by each local exchange service provider based on the number of telephone numbers served by each carrier. *Id.* at 54.

Finally, MCI recommends that the Commission establish a policy that would require the implementation of a true number portability trial no later than one year from the date of an order in this proceeding. *Id.* at 57. It proposes that the development and operation of a number portability database be managed by a neutral administrator, and that funding for the database development and operation be generated in a competitively neutral manner. Specifically, MCI recommends that these costs be recovered from the same surcharge on telephone numbers recommended for the recovery of interim portability costs. *Id.* at 58.

Illinois Bell

Illinois Bell acknowledges that number portability is an issue to be addressed, but argues that it is not the sine qua non of local competition which MCI and MFS make it out to be. IBT Ex. 1.0 at 34. According to the Company, local number portability is simply not an issue for several very large customer segments such as new customers; customers which move into MSA 1 from outside the area; customers who move from one wire center to another within MSA 1; and to the 500,000 Illinois Bell customers who -- presumably for personal reasons -- change their telephone numbers every year on existing accounts. It notes that it received over a million orders for new telephone numbers last year from customers installing new services or moving to new locations; over a half of a million numbers changed on existing accounts. IBT Ex. 1.20 at 25; IBT Ex. 3.0 at 26. Illinois Bell also disputes the contention that business subscribers frequently want to retain their telephone numbers to minimize customer confusion. It claims that customers "rarely memorize telephone numbers of the businesses they patronize," but instead use Yellow Pages or rolodexes for telephone numbers. IBT Ex. 1.20 at 26.

Illinois Bell contends that another group of customers unaffected by number portability are those customers who purchase telephone lines to make outbound calls, such as telemarketers and payphone providers; large business customers who have split trunk groups for inbound and outbound calling; and customers which already receive number portability through the national 800 database system which was implemented in 1993.

Illinois Bell asserts that "full" number portability is not technically feasible today. In those instances where a customer wants to retain its existing number, it can use interim number portability solutions offered by Illinois Bell. Illinois Bell proposes four categories of "interim" number portability solutions: (i) Foreign Exchange ("FX") service; (ii) NXX reassignment; (iii) Remote Call Forwarding ("RCF") and enhanced RCF;and (iv) Direct Inward Dialing ("DID"), including Dedicated Trunk Routing, Route Index/Portability Hub and Hub Routing with Advanced Intelligent Network ("AIN") functionalities.

Illinois Bell also claims that it is "actively and aggressively" pursuing additional number portability alternatives. IBT Ex. 3.0 at 27-28. It identified new potential arrangements for number portability, including Route Index Portability, HUB routing with AIN, and Enhanced Remote Call Forwarding. Enhanced Remote Call Forwarding currently is available, but Illinois Bell believes that it is too soon to tell whether the other arrangements will work because technical trials have not yet been completed.

Customers must pay additional charges to obtain this type of number portability, but the fact the customers are willing to spend that money with Illinois Bell indicates that they would be equally willing to spend that money with a new local service provider.

Illinois Bell does not agree with Staff's recommendation that the Commission order it to tariff all of the number portability options which it has suggested as possible solutions. Illinois Bell has no objection to this requirement as it pertains to FX service, Remote Call Forwarding, DID trunks and Enhanced Remote Call Forwarding. However, Illinois Bell believes that it is premature to require tariffing of the two experimental arrangements described by Mr. Kocher, i.e., Route Index-Portability Hub and Hub Routing with AIN. It argues that further study of the technical feasibility, demand, utility and economic feasibility of these alternatives would be necessary before it offered them as tariffed services. Instead, Illinois Bell believes that it should conduct controlled market trials of the untariffed alternatives. Illinois

Bell supports Staff's recommendation to establish a task force to study number portability issues. IBT Ex. 3.50 at 8-10.

Illinois Bell finds unrealistic MCI's proposal to implement a true number portability trial in 12 months. Although Illinois Bell agrees that the "generic data base technology" currently is available, it argues that software would have to be designed and installed in every switch of every local carrier, SS7 capability would have to be deployed by those carriers that did not currently use out-of-band signalling, existing SS7 networks would have to be augmented significantly, and new SS7 parameters would have to be created and installed. It points out that no other party suggests such an aggressive time frame for implementing a true number portability solution. Illinois Bell also claims that MCI and other new LECs could develop their own database to implement number portability for calls that travel through their own networks. It argues that the experience with implementing the 800 database demonstrates the difficulty in meeting a 12-month time frame. IBT Ex. 3.40 at 7, 10-11, 14-15.

Illinois Bell also disagrees with MCI regarding the need for Commission action to ensure that number portability is implemented in a timely fashion. It disputes MCI's claim that the LECs have *de facto* control of numbering issues, and it claims that the forums have succeeded in resolving other issues in the recent past. It also argues that the industry standards process is the appropriate place to develop an industry solution because of the technical complexity of the issues implicated by service provider number portability. IBT Ex. 3.40 at 11-14.

Illinois Bell opposes MCI's proposal to impose a surcharge on numbers to recover the costs of implementing number portability. It argues that only the customers who want number portability available should pay for it, and MCI's proposal would impose these costs on all customers, whether or not they wanted number portability options. IBT Ex. 1.20 at 26.

AT&T

AT&T argues that number portability is critical to the development of exchange competition. AT&T Ex. 3.0 at 12; AT&T Ex. 2.0 at 2. It presented the testimony of Mr. Robert B. Hirsch, District Manager in the AT&T Standards and Technical Regulatory Management Group, Network Services Division. He is current co-chair of the INC. Mr. Hirsch presented AT&T's position regarding technical issues associated with service provider number portability. He describes in detail the technical performance of each of the interim portability solutions offered by Illinois Bell and how they all present "serious technical deficiencies". A database solution is the only viable alternative over the long term.

Mr. Hirsch explains that all of the interim solutions proposed by Illinois Bell demand that the call be routed to the Illinois Bell end office in which the dialed number (NPA-NXX) was originally assigned. At minimum, the call would have to transit at least one additional switch, and be subject to increased call set-up time. It is likely that in some, if not most, of these arrangements, the call-related information necessary to provide the called party a full range of features would not be available to the new entrant. He also explained that because these arrangements suggest that all calls continue to be routed through the Illinois Bell local network, they inhibit an originating or transport carrier from taking advantage of any direct trunking that these carriers may have constructed or wish to construct that would efficiently route calls to the new entrant. AT&T Ex. 2.0 at 5.

These arrangements provide call completion to the new entrant and its customers in a manner that is clearly deficient compared to the arrangement afforded Illinois Bell. In addition to the performance related concerns caused by the use of an additional switch, the need to route the call through the Illinois Bell network raises issues which include the need to protect any proprietary new entrant information, the need for access charges rendered by Illinois Bell to new entrants, and the general observation that these arrangements do not represent "equal access". AT&T Ex. 2.0 at 5-6.

Mr. Hirsch agreed with MCI on the limited effectiveness of the INC in resolving current number portability disputes between industry participants. He also disputed Illinois Bell's claim that IXCs could develop independent number portability databases practically, claiming that all industry participants should be involved in developing and implementing a number portability solution. AT&T Ex. 2.1 at 1-2; AT&T Ex. 2.2 at 3.

A fully developed number portability environment currently is not available However, as Mr. Hirsch testified that "although the network capabilities necessary to support these features and functions are reasonably well understood, [but] they are not currently deployed in today's communications networks." AT&T Ex. 2.0 at 4. He agreed with MCI witness Traylor that the Commission should order a "true" number portability trial. However, he was unsure whether such a trial could be implemented in one year, but suggested that it should begin "as soon as feasible." AT&T Ex. 2.1 at 2. He argues that the deployment of LNP is likely to be evolutionary. Finally, because LNP is primarily a function of call termination, not call origination, it can be introduced gradually in given geographic areas, rather than being deployed instantaneously nationwide. AT&T Ex. 5.0 at 12.

GTE

GTE disagrees that service provider local number portability is important to competition. While conceding that the lack of number portability "would resul[t] in some resistance of customers to change carriers," it claims that "it is impossible for this Commission to eliminate all such transaction costs for customers desiring to change carriers." It also suggests that it "has not seen any indication" that "even a simple majority" of its customers would want number portability, if they had to pay GTE's estimates of the cost of "universal" portability. GTE suggests that those arguing that number portability is important are attempting to place on the Commission the "responsibility to develop rules which guarantee the financial success of any given company." GTE Ex. 1.00 at 24-26; GTE Ex. 8.00 at 13. It agrees with Illinois Bell (and disagrees with MCI and others) that the cost of number portability options should be paid by the customers/carriers that purchase number portability. GTE argues that the "customers/carriers/individuals who create the demand should bear the responsibility for the costs." GTE Ex. 1.00 at 26-27.

GTE proposes an additional number portability option, which it refers to as "virtual numbers." In this scenario, customers who want portability would be given a non-geographic "virtual number," like an 800 number. According to GTE, these "virtual numbers" will permit a customer to direct calls to the location of its choice. It argues that this solution is preferable to "true" portability because it would not harm the performance of the network and all customers "just to satisfy the demands of a few," it is available using existing technology, and new LECs can implement this option with their own NXX assignments, without help from the LEC. GTE further explained that this could be an long-term solution for number portability, if the demand for portability turns out to be low. GTE Ex. 1.00 at 27-28; GTE Ex. 8.00 at 12.

GTE Witness Beauvais testified that there are significant cost/benefit issues to be addressed before the Commission makes any decision concerning number portability. He explained that it is unclear at this stage whether a majority of customers desire local number portability or whether they would be willing to pay the significant costs which would be incurred to implement a database solution to local number portability. He also noted that it would not be equitable to impose the costs of implementing local number portability on customers which do not use the service.

Staff

Staff witness Starkey agrees with the witnesses from MCI, AT&T, MFS, TCG, and others who contend that a customer's decision to change between competitive local carriers could be influenced significantly by the customer's ability, ability to keep its current telephone number. Staff Ex. 2.01 46.

Staff contends there is widespread disagreement as to how number portability may be provided effectively. Even if parties agree that a database should be used, there are disputes as to the appropriate query interval, the cost of a system, and the way in which a system designed for Illinois, or even MSA-1, eventually could be integrated into a national portability system. To the contrary, however, some parties have argued that number portability, for Illinois, is technically possible and feasible today. Staff Ex. 2.01 at 47.

Staff believes that questions regarding number portability must be resolved through a thorough investigation of all options. Issues that require resolution will deal with costs, timing, customer impact and uniform national solutions. In order to ensure that the number portability solution adopted in Illinois results in the appropriate choice, Staff recommends a task force, which would include LECs, competitive carriers, equipment providers, Staff, private citizens and other interested participants, be established by order of the Commission. The task force should investigate the advantages and disadvantages of all possible solutions as well as the estimated costs of implementation. Staff Ex. 6.0 at 7.

Mr. Starkey opined that Illinois Bell had made a good-faith effort to provide an extensive list of number portability options which will effectuate some semblance of number portability. He thought that although all of the options fall short (in large part because under these options all calls still must be routed initially to an Illinois Bell end office) of a "true" portability database system, they should be considered to be effective interim solutions.

Due to the importance of number portability, both as an immediate need and as a long term priority for the facilitation and sustainability of local competition, Staff believes the Commission should order Illinois Bell to tariff all of the number portability options (which are not currently tariffed) it has suggested as possible solutions in its testimony in this case (including flexible DID).

To help foster cooperation in this venture, Staff recommends that the Commission reference in a final order in this case, that number portability is a critical issue and that parties should make every attempt to develop an effective Illinois-specific portability solution in the short term. Staff Ex. 2.01 at 49.

MFS

MFS witness DeFlorio testified that number portability is critical because many customers are reluctant to change telephone carriers if required to change telephone numbers at the same time. New entrants would be placed at a severe disadvantage in the marketplace if either customers were unable to retain their existing numbers when subscribing to a new carrier's service, or the new entrant had to accept cost or technical disadvantages in order to retain these numbers. MFS Ex. 1.00 at 37.

MFS states that, although Illinois Bell has somewhat downplayed the significance of number portability, it does offer forms of number portability, including FX, call forwarding and dedicated trunk routing using DID. Each of these options requires all calls to be routed to the "old" carrier's end office switch before being transferred to the "new" entrant. This process results in additional expense and call set-up time. Charges for these options are billed directly to the customer and Illinois Bell has priced them too expensively to make them attractive to many customers who wish to maintain their existing telephone numbers if they change carriers. MFS Ex. 1.00 at 38.

TCG

TCG believes that Illinois Bell's interim portability alternatives are severely limited. It argues that these interim arrangements are so limited that they are unacceptable, even as short-term interim arrangements. TCG expresses its concern that implementing these inferior alternatives inappropriately would take the focus off developing a true number portability solution. Thus, TCG argues that the Commission should recognize that the interim alternatives handicaps new LECs' ability to compete and should maintain its focus on developing a true portability solution. TCG Ex. 3.00 at 8-11; TCG Ex. 3.01 at 1-4. Perhaps, TCG suggests, the Commission can best address this "interim" disadvantage by mandating that Illinois Bell offer loops to competitors at a discounted rate. TCG Ex. 3.00 at 11. TCG supports Staff's proposal to create a task force to develop a permanent number portability solution, and it also supports the recommendations of MCI and AT&T that the Commission should order a technical trial of a number portability database. TCG Ex. 3.01 at 2.

Analysis and Conclusion

The Commission believes that number portability is an increasingly critical issue for the continued development of competition in local exchange markets. The lack of adequate number portability can be a considerable deterrent to any customer contemplating a switch in local carriers, and can impose significant costs on those customers who do switch.

In addition, telephone number portability is important not only between wireline carriers, but also between technologies (for instance, numbers currently used for cellular service should be portable to landline uses and vice versa) If a network of networks is to evolve fully, then the increasing importance of technologies, and differing service offerings, must be recognized in any numbering plan.

We believe, however, that MCI's request for a database trial and firm implementation deadlines is premature. We will adopt Staff's proposal to create an industry task force to develop a permanent number portability solution for Illinois. We emphasize that the work of the task force should be limited to development and implementation of number portability solutions. In other words, the issue is no longer whether - but when and how - to implement number portability in Illinois. The creation of this industry task force, however, is not intended to constrain Illinois Bell or any other carrier's efforts to explore the number portability issue in other forums and to propose number portability solutions to this Commission on its own initiative.

We also will direct Illinois Bell to tariff the interim number portability approaches proposed in its testimony, specifically, FX Service, Remote Call Forwarding, DID Trunks and Enhanced Remote Call Forwarding. Given the importance of number portability to the development of competition, Illinois Bell should make these interim solutions available to competitors and/or competitor's customers at cost-based rates with only a reasonable level of contribution. We intend to scrutinize the tariffs to ensure this. To the extent that certain portions of the interim solutions may already be tariffed for end-users, the significantly different circumstances arising from the advent of competition may necessitate substantial revisions to existing tariffed rates. In addition, the Commission's complaint process is available to any party which is dissatisfied with currently applicable rates or any other term or condition in existing tariffs.

We will not require tariffing at this time of Route Index-Portability Hub and Hub Routing with AIN, due to technical uncertainties regarding these arrangements. These approaches can be reviewed by the Task Force which may recommend tariffing of these interim methods at a later date; however, we would prefer that the Task Force focus its attention primarily on permanent solutions.

VIII. REGULATORY TREATMENT OF INCUMBENT LECS AND NEW ENTRANTS

Positions of the Parties

Illinois Bell

Illinois Bell believes that regulatory requirements should be applied in a manner that does not distort competitive incentives. It argues that all exchange carriers, incumbent LECs and new LECs alike, should have similar obligations, including the requirement to provide "core" exchange functions, to offer equal access, to fund "social subsidies," and to make available emergency services. It further contends that new LECs should have similar service standards, interconnection requirements and resale obligations. At the same time, however, Illinois Bell acknowledges that all rules need not apply to all carriers. IBT Ex. 1.0 at 17-20, 23; IBT Ex. 1.20 at 24; IBT Ex. 1.30 at 22-23.

Illinois Bell witness Harris acknowledges that new LECs and incumbent LECs should not be subject to identical regulation:

"I recognize that the incumbent carrier is likely to continue to be subject to stricter consumer regulations in the next phase of regulatory development. . . . The Commission's objective should be to develop an even-handed set of regulations that provide adequate competitive and consumer safeguards, without creating artificial competitive advantages for competitors, and that, in the longer run, can be applied equally to all providers in the marketplace." IBT Ex. 2.20 at 21.

Staff

Staff market principle 6 states that regulations between carriers should be the same, except where differences between carriers justify different regulatory treatment. In Staff's view, one primary difference among carriers that justifies differing regulation is differences in the degree of market power that they may possess. Staff Ex. 1.00 at 20, 21-23, 37-38.

Staff believes that the issues associated with differing regulatory treatment for LECs and new LECs should be addressed comprehensively in a second phase of Docket 94-0146. Staff Ex. 1.00 at 91. Staff witness TerKeurst argues that additional proceedings are necessary because:

> "[I]t would be unwise for the Commission to adopt a simplistic guideline regarding regulation of incumbent LECs and new LECs. Either extreme, the one in which both incumbent and new LECs are treated identically or the other in which new LECs are freed from all regulatory oversight, would be potentially

disastrous. Each of the existing and proposed regulatory requirements should be examined separately and on its own merits. Full regulatory parity would probably only be appropriate if and when the markets become fully competitive." Staff Ex. 1.01 at 44-45.

Staff, as well as MCI, support Mr. Gillan's proposal that new entrant access rates be capped at LEC access rates. Staff Ex. 1.02 at 18; MCI Ex. 1.1 at 22-23. Staff also argues that, to the extent that carriers sought to reclassify switched access services as competitive in the future, there would be a variety of actions that the Commission could take to protect consumers at that time. Staff Ex. 1.02 at 18-19.

Staff proposed that Administrative Code Part 305, which establishes the standards for the provisioning of communications lines by carriers providing noncompetitive services; Administrative Code Part 730, which delineates the minimum standards of service for LECs providing noncompetitive services; and Administrative Code Part 785, which sets forth the standards for fire protection and emergency services for communications switching facilities should be met by all competitive LECs. (ICC Staff Ex. 6.00 at 4-11).

MCI

Because competition will develop at a different pace in different local service markets, with incumbent LECs retaining pockets of monopoly power, MCI believes that regulatory relief for incumbent LECs must be commensurate with the reduction in their monopoly power and the development of effective competition. MCI asserts, on the other hand, that there is no reason to impose regulation on new entrants who lack monopoly power, and in fact, imposing regulation on new entrants will impede competition by raising their costs for no public policy reason. MCI notes that this approach of allowing asymmetrical regulation based on differences in market power is consistent with Staff market principle 6. MCI Ex. 1.0 at 41-42.

MCI recommends a two-pronged effort to construct the appropriate statutory and regulatory framework. First, it recommends that the Commission take all the actions needed to satisfy the prerequisites to effective local exchange competition identified by MCI. Second, it proposes that the Commission identify the threshold responsibilities and requirements that all new LECs must meet, as well as the additional requirements that incumbent LECs with market power must meet. MCI Ex. 1.1 at 20-21. MCI identifies the following threshold responsibilities and requirements for new LECs: (i) a requirement to serve all customers passed by the service provider's facilities who request service, but no requirement to build out facilities to customers not passed or for new LEC service areas to be the same as incumbent LEC service areas; (ii) compliance with the same equal access rules (*e.g.*, intraMSA presubscription) as Illinois Bell, GTE, other LECs and wireline cellular companies; (iii) a cap on rates for access services and reciprocal termination set at the rates charged by incumbent LECs; and (iv) a requirement to make all service offerings available for resale, but without any regulation of the rate to the reseller. *Id.* at 22-23. In addition, MCI recommends two additional requirements that would apply to new LECs in the "rate situation" where a new LEC were the only provider with facilities in place in a given area: (i) a prohibition on exiting until another carrier can provide service; and (ii) a requirement to provide line-side interconnection/unbundling. *Id.* at 23.

Regarding regulation of incumbent LECs, MCI recommends they continue to be subject to their existing regulatory regime, with an additional requirement that they be subject to "building blocks" costing and pricing rules. *Id.* at 24.

Finally, MCI agrees with Staff that a rulemaking should be undertaken to determine the rights and responsibilities of both new entrants and incumbent LECs. MCI Ex. 1.0 at 42.

AT&T

AT&T disagrees with Illinois Bell that new entrants and Illinois Bell be subject to the same regulation. AT&T Ex. 3.10 at 2.

AT&T contends that there is a social need that the incumbent LECs be regulated to constrain their market power and further required to undertake important procompetitive reforms, if the market is successfully to grasp whatever opportunities for undistorted competition that changing technology and demands make possible.

In contrast, it would be an inadvisable and unnecessarily socially costly policy to impose such regulatory conditions generally on other and new carriers and firms in telecommunications and other markets.

The policies stated by AT&T for application of the incumbent LECs are designed to avoid competitive distortions. Two key examples are the recommended policies of competitively neutral promotion of universal service, and the condition of efficient LEC pricing that reflects underlying costs. AT&T Ex. 3.10 at 6-7

AT&T supports asymmetrical regulation of new entrants and LECs on the basis of their "asymmetrical" market power and other circumstances. AT&T witness Conway argues that many of the requirements to which incumbent LECs are currently subject have necessarily been developed over time to regulate monopoly carriers wielding significant market power. The same level of regulation now applicable to incumbent LECs would be both needless and burdensome for new fledging market entrants with little market influence. Ms. Conway's testimony solidifies Staff witness TerKeurst's sixth market principle which acknowledges that significant differences in an exchange carrier's size and/or market power may make differing regulatory requirements both justifiable and necessary. AT&T Ex. 5.2 at 14.

AT&T further argues that both state law and Commission rules appear to acknowledge the appropriateness of establishing different sets of requirements for different size local providers. AT&T Ex. 5.2 at 14. In addition, if the Commission decides to consider, at this time, regulations for new entrants, it would not seem unreasonable or unduly burdensome to require interMSA and intraMSA equal access and presubscription, tariffed rate schedules, requirements for termination of local exchange and access traffic, and non-discrimination requirements. This inquiry, however, scrupulously should avoid imposing unnecessary obligations on new entrants or discouraging otherwise feasible entry into the local exchange. AT&T Ex. 5.2 at 14-15.

AT&T argues that in establishing certification requirements for new market entrants, the Commission should minimize the obligations imposed on them, at least during a period of initial entry and emerging competition. AT&T Ex. 5.0 at 6. Enforcement of a needlessly extensive list of certification requirements constitutes a significant market barrier for new entrants who must compete against the incumbent LEC. Id. According to AT&T, there is no logic in imposing extensive certification requirements on new entrants merely because these requirements apply to the incumbent. Id.

AT&T pointed out that the precedent in Illinois is to distinguish the application of rules based on the size of the LECs. This distinction should be extended to new entrants on issues not impacting non-discrimination or universal service. In many cases, imposition of "equal" requirements in unequal circumstances will force the new entrant to negotiate operational arrangements with the incumbent LEC, and this only increases the new entrant's dependency, and the potential for incumbent LEC manipulation. Id.

AT&T further showed that for each LEC "duty" proposed by Illinois Bell as one that the Commission should impose, the Commission similarly should impose a corresponding obligation on Illinois Bell to provide access to all necessary arrangements by tariff, without resale restrictions, on a non-discriminatory basis. If contracts are permitted in special situations, they too should be subject to the non-discriminatory obligation under Section 13.505.2 of the Act. Further, AT&T contends that the facilities and arrangements deemed necessary should be treated as non-competitive inputs into local service for imputation purposes. Section 13.505.1.

GTE

GTE argues that all certified common carriers should have the same regulatory requirements placed on them. GTE's witness Beauvais states that as competition is allowed to develop with the removal of entry barriers, public policy should avoid creating new barriers if it seeks to promote competition, and the best way to avoid creating new entry barriers is to place the same regulatory conditions and constraints on all players in the marketplace. GTE Ex. 1.00 at 31-32, 38-39.

GTE argues that the following requirements would be efficient and should be placed on all LECs and service providers: (i) existing quality of service rules and minimum service standards; (ii) limitations on types of services offered (*e.g.*, relaxing service introduction rules, permitting pricing flexibility, and removing regulatory "obligations" as their associated regulatory "rights" are eliminated); (iii) limited reporting requirements should be imposed equally on all companies; (iv) 911 access equivalent to today's requirements on LECs, (v) directory listings and assistance should be required of all carriers, the same as it is of LECs; and (vi) existing technical standards. GTE Ex. 1.00 at 40-44. GTE also contends that new LECs should have the same pricing rules and regulations and imputation requirements placed on them as are applicable to LECs. GTE Ex. 5.00 at 10-11; GTE Ex. 2.00 at 8-9, 11-12.

Dr. Beauvais asserts that new LECs currently hold themselves out as "niche player[s]" in the local exchange market, focusing on certain customers in limited geographic areas. He recognizes that limited entry is economically rational and "how we ought to expect markets to operate." Nonetheless, GTE expresses concern that, unless the Commission imposes a full-service obligation on new LECs, virtually all service providers (and potentially even customers) could seek such status and demand compensation from the LEC for receiving traffic. To illustrate its point, it asserts that if MFS were considered a co-carrier, then under the same logic, cellular carriers, shared tenant service providers, shopping mall owners, and even individual residential customers would have be considered eligible for co-carrier status. GTE Ex. 1.00 at 17-18. All of these parties, it contends, could claim a right to reciprocal compensation from LECs, creating an "administrative nightmare" of dealing with numerous certified local service providers. GTE Ex. 1.00 at 17-19. GTE argues that the Commission must "draw the line" on the issue of compensation by establishing some minimum geographic service area or customer base that a new LEC must serve to be considered a "co-carrier," although Dr. Beauvais states that he "can't state with any certainty" where the line should be drawn. GTE Ex. 1.00 at 12-15, 17-19; GTE Ex. 8.00 at 8-9.

GTE further contends that LECs should not have carrier of last resort obligations in areas where new LECs have entered and begun providing service. It asserts that LECs will design and construct their networks taking into account the ability of their competitors. Requiring the "former incumbent" to remain available to serve these customers (for example, if the new LEC exits the area) would result in unnecessary, wasteful facilities and increased costs for the incumbent LEC. GTE maintains that, to the extent that regulators want to rely on market incentives to discipline competitors' behavior, they should be willing to modify carrier of last resort obligations in areas served by more than one carrier, so that the incumbent LEC does not have the responsibility to take over "immediately" and provide service. GTE Ex. 1.00 at 29-30; GTE Ex. 8.00 at 6. Moreover, GTE asserts that competitive entry should give rise to pricing flexibility for local exchange services. GTE Ex. 1.00 at 32.

LDDS

LDDS witness Gillan presented LDDS' position before the Commission. He states that at a minimum, new entrants be required to provide: 1) equal access and presubscription to IXCs; 2) rates, terms, conditions, and calling areas for all local exchange services and access services should be set out in publicly available tariffs; 3) unbundling in response to requests from other providers and should make all offerings available for resale; and 4) no discrimination in the rates, quality, terms, or conditions of access. LDDS Ex. JPG 2.0 at 13. He argues that the pricing of new entrants should not be regulated the same way it is for incumbent LECs. New entrants do not enjoy the 100% market share or other market advantages enjoyed by the incumbent LECs. He suggests that the Commission may wish to consider capping rates for switched access services for new entrants. LDDS Ex. JPG 2.0 at 15.

TCG

TCG argues that regulations should not be the same for TCG and other new LECs as they are for the incumbent LECs. It contends, as well, that not all regulations placed on incumbent LECs should be applied to smaller LECs. It argues that burdening these smaller companies with the full panoply of regulatory requirements could be disastrous, particularly for new LECs, who do not (at this time) have a guaranteed franchise or a substantial installed customer